EXHIBIT 16

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PLAN AND AGREEMENT OF REORGANIZATION
BETWEEN
DIAMOND SHAMROCK CORPORATION
AND
NATOMAS COMPANY

PLAN AND AGREEMENT OF REORGANIZATION, as amended (the "Agreement"), dated as of May 30, 1983, between Diamond Shamrock Corporation, a Delaware corporation ("Diamond"), and Natomas Company, a California corporation ("Natomas").

The Boards of Directors of Diamond and Natomas deem it advisable and in the best interest of their respective shareholders that each of such corporations become a subsidiary of a new corporation ("New Parent") pursuant to the mergers hereinafter provided for and desire to make certain representations, warranties and agreements in connection with such mergers.

IT IS, THEREFORE, AGREED:

ARTICLE ONE

The Mergers

Section 1.1 *Organization of New Parent.* Diamond will promptly form New Parent under the laws of the State of Delaware. The certificate of incorporation and by-laws of New Parent in effect at the time of consummation of the mergers hereinafter provided for shall be substantially identical to the certificate of incorporation and by-laws of Diamond as in effect immediately prior to such consummation, with such changes as may be necessary to carry out the terms of this Agreement or as Diamond may otherwise deem appropriate; *provided, however,* that (i) New Parent's authorized capitalization shall not be less than 15,000,000 shares of preferred stock and 150,000,000 shares of common stock, without par value ("New Parent Common Stock") and (ii) the New Parent Series $4.00 Cumulative Convertible Preferred Stock ("New Parent $4.00 Preferred Stock") into which the Natomas Preferred Stock (as hereinafter defined) shall be converted (if the Natomas Preferred Approval, as hereinafter defined, is obtained) shall be issued as a Series of New Parent preferred stock having terms applicable to preferred stock generally identical to those contained in Diamond's Certificate of Incorporation as currently in effect and shall, to the extent not inconsistent with such terms, contain terms substantially identical to the Natomas Preferred Stock, except for such changes as Diamond and Natomas shall be advised by counsel are necessary to conform to the laws of the State of Delaware, changes to provide for customary antidilution provisions in the event of mergers and similar events and changes to make such securities rank on a parity with the New Parent $2.07 Preferred Stock (as hereinafter defined). Upon consummation of such mergers, the officers of New Parent shall be those persons who held office in Diamond immediately prior to consummation of such mergers, and the directors of New Parent shall be those persons who were directors of Diamond immediately prior to such consummation plus four designees of Natomas, two of whom, who shall be selected by Natomas, shall be from among those directors of Natomas who are such on the date hereof and are on the date hereof officers of Natomas and two of whom, who shall be mutually agreed to by Natomas and Diamond, shall be from among those persons who on the date hereof are directors of Natomas but on such date are not officers of Natomas. Upon consummation of such mergers, William H. Bricker, Chairman of the Board and Chief Executive Officer of Diamond, shall be the Chairman of the Board and Chief Executive Officer of New Parent and Dorman L. Commons, Chairman of the Board and Chief Executive Officer of Natomas, and J. Avery Rush, Jr., Vice Chairman of the Board of Diamond, shall each be Vice Chairman of the Board of New Parent. The directors and officers of New Parent prior to consummation of such mergers shall be as designated by Diamond and prior to consummation of such mergers New Parent shall be wholly-owned by Diamond.

Section 1.2 *Diamond Merger.* Diamond will cause New Parent to form a wholly-owned Delaware subsidiary called D Sub, Inc., or such other name as Diamond shall select ("D Sub"). Diamond will

cause D Sub to execute and deliver, and Diamond will execute and deliver and submit to Diamond's stockholders for adoption, together with this Agreement in accordance with Article Two hereof, a Plan and Agreement of Merger containing customary terms with regard to the exchange of shares as herein provided (the "D Sub Merger Agreement"), providing for the merger of D Sub into Diamond (the "D Sub Merger"). Diamond shall be the surviving corporation in the D Sub Merger and, as a result thereof, shall be a subsidiary of New Parent, and each share of Diamond Common Stock, without par value ("Diamond Common Stock"), outstanding immediately prior to the consummation of the D Sub Merger shall therein be converted into and become one share of New Parent Common Stock. Each share of Diamond's $2.07 Cumulative Convertible Preferred Stock, without par value ("Diamond Preferred Stock"), outstanding immediately prior to the consummation of the D Sub Merger shall therein be converted into and become one share of $2.07 Cumulative Convertible Preferred Stock, without par value, of New Parent having substantially the same rights, privileges and preferences with respect to New Parent as the Diamond Preferred Stock now has with respect to Diamond ("New Parent $2.07 Preferred Stock") except that each share of New Parent $2.07 Preferred Stock initially shall be convertible into the number of shares of New Parent Common Stock to which a holder of the number of shares of Diamond Common Stock deliverable upon conversion of one share of Diamond Preferred Stock would have been entitled upon the D Sub Merger (assuming such conversion had occurred immediately prior to the D Sub Merger (the "Initial Conversion Amount"); *provided, however*, that if the requisite vote of the holders of Diamond Preferred Stock, voting as a separate class to approve the conversion described in this sentence, is not obtained (such approval being hereinafter referred to as the "Diamond Preferred Approval"), then each share of Diamond Preferred Stock outstanding immediately prior to the consummation of the D Sub Merger will remain outstanding as Diamond Preferred Stock following the D Sub Merger and initially shall be convertible into the Initial Conversion Amount of New Parent Common Stock. Diamond shall use its best efforts to cause the D Sub Merger to be consummated and to cause the holders of the Diamond Preferred Stock to vote in favor of the D Sub Merger. Diamond shall take such action as is necessary, as sole stockholder of New Parent, to cause New Parent, as the sole stockholder of D Sub, to cause D Sub to execute, deliver and perform the D Sub Merger Agreement.

Section 1.3 *Natomas Merger*. Diamond will cause New Parent to form a wholly owned California subsidiary called N Sub, Inc., or such other name as Diamond shall select ("N Sub"), and cause N Sub to execute and deliver, and Natomas will execute and deliver and submit to Natomas' shareholders for approval, together with this Agreement in accordance with Article Two hereof, a Plan and Agreement of Merger containing customary terms with regard to the exchange of shares as herein provided (the "N Sub Merger Agreement"), providing for the merger of N Sub into Natomas (the "N Sub Merger"). Natomas shall be the surviving corporation in the N Sub Merger and as a result thereof shall be a subsidiary of New Parent, and each of Natomas' Common Shares, $1 par value ("Natomas Common Stock"), outstanding immediately prior to the consummation of the N Sub Merger shall therein be converted into and become 1.05 shares of New Parent Common Stock. Each Natomas $4.00 Series C Cumulative Convertible Preferred Share, $1 par value (the "Natomas Preferred Stock"), outstanding immediately prior to the consummation of the N Sub Merger shall therein be converted into and become one share of New Parent $4.00 Preferred Stock convertible into a number of shares of New Parent Common Stock equal to the number of such shares that would have been received in the N Sub Merger by the holder thereof if he had converted such share of Natomas Preferred Stock into shares of Natomas Common Stock immediately prior to consummation of the N Sub Merger (after giving effect to any required adjustment in the conversion rate of the Natomas Preferred Stock as a result of the Distribution, as hereinafter defined); *provided, however*, that if the requisite vote of the holders of the Natomas Preferred Stock to approve the conversion described in this sentence is not obtained (such approval being hereinafter referred to as the "Natomas Preferred Approval"), then each share of Natomas Preferred Stock outstanding immediately prior to the consummation of the N Sub Merger shall remain outstanding as Natomas Preferred Stock following the N Sub Merger and shall continue to be convertible into shares of Natomas Common Stock at the conversion rate in effect immediately prior to consummation of the N Sub Merger (including any required adjustment in the

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conversion rate as a result of the Distribution). Natomas shall use its best efforts to cause the N Sub Merger to be consummated. Diamond shall take such action as is necessary, as the sole stockholder of New Parent, to cause New Parent, as the sole shareholder of N Sub to cause N Sub to execute, deliver and perform the N Sub Merger Agreement.

Section 1.4 *Cancellation of Shares.* Immediately following the consummation of the D Sub Merger and the N Sub Merger (collectively, the "Mergers"), the shares of the capital stock of New Parent then owned by Diamond will be reacquired by New Parent and cancelled.

Section 1.5 *Diamond and Natomas Directors.* Following consummation of the D Sub Merger, the directors of Diamond in office immediately prior to such consummation shall continue as directors of Diamond in accordance with Diamond's certificate of incorporation and by-laws and the Delaware corporation law. Following consummation of the N Sub Merger, the directors of Natomas in office immediately prior to such consummation shall continue as directors of Natomas in accordance with Natomas' articles of incorporation and by-laws and the California corporation law.

ARTICLE TWO

Submission to Shareholders; Effectiveness

Section 2.1 *Submission to Shareholders; Effectiveness.* This Agreement, together with the D Sub Merger Agreement and the N Sub Merger Agreement (collectively, the "Merger Agreements"), shall be submitted to the holders of shares of Diamond Common Stock and Diamond Preferred Stock voting as a single class and to the holders of Diamond Preferred Stock, voting as a separate class, and to the holders of shares of Natomas Common Stock and to the holders of Natomas Preferred Stock, voting as separate classes, at special meetings to be duly held for those purposes by Diamond and Natomas, respectively, as soon as practicable after the date hereof. On the first business day on or by which (i) this Agreement and the D Sub Merger Agreement have been duly authorized and adopted by the requisite vote of the holders of shares of Diamond Common Stock and Diamond Preferred Stock, voting as a single class, (ii) this Agreement and the N Sub Merger Agreement have been duly authorized and approved by the requisite vote of the holders of shares of Natomas Common Stock (it being understood that failure to obtain either or both the Diamond Preferred Approval or the Natomas Preferred Approval shall not prevent the consummation of the Mergers) and (iii) the closing of the transactions contemplated by this Agreement and the Merger Agreements shall have occurred (which shall not be prior to August 29, 1983), or such later date as shall be fixed by Diamond and Natomas (the "Filing Date"), the Merger Agreements or Certificates or Articles of Merger (as the case may be) relating to the Mergers shall be filed in accordance with the Delaware and California corporation laws and both Mergers shall become effective simultaneously at the time and date of such filings (such time and date are herein referred to as the "Filing Time").

ARTICLE THREE

Representations and Warranties of Diamond

Diamond hereby represents and warrants to Natomas as follows:

Section 3.1 *Organization and Qualification.* Diamond is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the requisite corporate power to carry on its business as it is now being conducted. Diamond is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of its properties owned or leased or the nature of its activities makes such qualification necessary, except where the failure to be so qualified will not have a material adverse effect on Diamond and its subsidiaries taken as a whole.

Section 3.2 *Capitalization.* The authorized capital stock of Diamond consists of 150,000,000 shares of Diamond Common Stock and 15,000,000 shares of Diamond Preferred Stock, without par

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value. As of March 31, 1983, 63,622,827 shares of Diamond Common Stock and 4,183,374 shares of Diamond Preferred Stock were validly issued and outstanding, fully paid and nonassessable, and 1,000 shares of Diamond Common Stock and no shares of Diamond Preferred Stock were held in Diamond's treasury. Since March 31, 1983, no shares of Diamond capital stock have been issued, except for 4,500,000 shares of Diamond Common Stock publicly sold on May 4, 1983 and shares of Diamond Common Stock issued upon exercise of employee stock options. Except for employee stock options to acquire shares of Diamond Common Stock and the obligation to issue shares of Diamond Common Stock upon conversion of Diamond Preferred Stock or in connection with existing employee benefit programs, there are no options, warrants or other rights, agreements or commitments obligating Diamond to issue shares of its capital stock.

Section 3.3 *Subsidiaries.* Each subsidiary material to the business of Diamond is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has corporate power to carry on its business as it is now being conducted. Each of such subsidiaries is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of its properties owned or leased or the nature of its activities makes such qualification necessary, except where the failure to be so qualified will not have a material adverse effect on Diamond and its subsidiaries taken as a whole. All the outstanding shares of capital stock of such subsidiaries are validly issued, fully paid and nonassessable and those owned by Diamond or by a subsidiary of Diamond are owned free and clear of all liens, claims or encumbrances, except for liens, claims or encumbrances which in the aggregate are not material to Diamond and its subsidiaries taken as a whole. There are no existing options, calls or commitments of any character relating to the issued or unissued capital stock or other securities of any significant subsidiary of Diamond or any group of subsidiaries which together would constitute a significant subsidiary of Diamond. Diamond does not directly or indirectly own any material interest in any other corporation, partnership, joint venture or other business association or entity except for arrangements entered into in the ordinary course of business or as set forth in the Diamond's Annual Report on Form 10-K for the fiscal year ended December 31, 1982 or as otherwise publicly disclosed.

Section 3.4 *Authority Relative to this Agreement and D Sub Merger Agreement.* Diamond has the requisite corporate power and authority to enter into this Agreement and the D Sub Merger Agreement and to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and the D Sub Merger Agreement and the consummation of the transactions contemplated hereby and thereby have been duly authorized by Diamond's Board of Directors and, except for the approval of Diamond's stockholders pursuant to Section 2.1 hereof, no corporate proceedings on the part of Diamond are necessary to authorize this Agreement and the D Sub Merger Agreement and the transactions contemplated hereby and thereby. Diamond is not subject to or obligated under any contract provision or any license, franchise or permit, or any order or decree, which would be breached or violated or in respect of which a right of acceleration would be created by its executing and carrying out this Agreement or the D Sub Merger Agreement, other than any such breach, violation or right which (i) will not have a material adverse effect on Diamond and its subsidiaries taken as a whole or (ii) will be cured, waived or terminated prior to the Filing Date. Diamond has previously furnished, or will promptly furnish after the date hereof, Natomas with a true and complete copy of its certificate of incorporation and its by-laws, as in effect on the date hereof.

Other than in connection with or in compliance with the provisions of the Delaware corporation law, the Securities Act of 1933 (the "Securities Act"), the Securities Exchange Act of 1934 (the "Exchange Act"), the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "Hart-Scott-Rodino Act"), the securities or blue sky laws of the various states and the Canadian Foreign Investment Review Act, no authorization, consent or approval of or filing with any public body or authority is necessary for the consummation by Diamond of the transactions contemplated by this Agreement and the D Sub Merger Agreement, except for such authorizations, consents, approvals or filings, the failure to obtain or make which would not have a material adverse effect on the financial condition, properties or business of Diamond and its subsidiaries taken as a whole.

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Section 3.5 *Financial Statements and Reports.* Diamond has previously furnished, or will promptly furnish after the date hereof, Natomas with a true and complete copy of (i) the consolidated balance sheets of Diamond and its subsidiaries as of December 31, 1982 and 1981, and the consolidated statements of income, stockholders' equity and changes in financial position of Diamond and its subsidiaries for each of the three years ended December 31, 1982, together with the report of Diamond's independent accountants thereon and (ii) the unaudited consolidated balance sheet of Diamond and its subsidiaries as of March 31, 1983 and the unaudited consolidated statements of income and changes in financial position of Diamond and its subsidiaries for the three months ended March 31, 1983 and 1982 included in Form 10-Q (collectively, the "Diamond Financial Statements"). Each of the consolidated balance sheets included in the Diamond Financial Statements (including any related notes) fairly presents the consolidated financial position of Diamond and its subsidiaries as of its date and the other statements included therein (including any related notes) fairly present the consolidated results of operations and stockholders' equity and changes in financial position, as the case may be, of Diamond and its subsidiaries for the periods therein set forth (subject, in the case of unaudited statements, to normal year-end audit adjustments), in each case in accordance with generally accepted accounting principles consistently applied during the periods involved (except as otherwise stated therein). Diamond has also previously furnished, or will promptly furnish after the date hereof, to Natomas a true and complete copy of each prospectus, definitive proxy statement and report filed by Diamond with the Securities and Exchange Commission (the "Commission") since January 1, 1982. None of such prospectuses, proxy statements or reports contained as of its date any untrue statement of a material fact or any omission to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

Section 3.6 *Absence of Certain Changes or Events.* Since March 31, 1983, there has not been any material adverse change in the reserves of oil and gas, business, financial condition, results of operations or prospects of Diamond and its subsidiaries taken as a whole.

ARTICLE FOUR

Representations and Warranties of Natomas

Natomas hereby represents and warrants to Diamond as follows:

Section 4.1 *Organization and Qualification.* Natomas is a corporation duly organized, validly existing and in good standing under the laws of the State of California and has the requisite corporate power to carry on its business as it is now being conducted. Natomas is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of its properties owned or leased or the nature of its activities makes such qualification necessary, except where the failure to be so qualified will not have a material adverse effect on Natomas and its subsidiaries taken as a whole.

Section 4.2 *Capitalization.* The authorized capital stock of Natomas consists of 70,000,000 shares of Natomas Common Stock and 5,000,000 shares of Natomas Preferred Stock, $1 par value. As of May 26, 1983, 55,766,938 shares of Natomas Common Stock and 2,500,000 shares of Natomas Preferred Stock were validly issued and outstanding, fully paid and nonassessable, and no shares of Natomas Common Stock or Natomas Preferred Stock were held in Natomas' treasury. Since May 26, 1983, no shares of Natomas capital stock have been issued, except shares of Natomas Common Stock issued upon the exercise of employee stock options. Except for employee stock options to acquire not more than 1,632,875 shares of Natomas Common Stock and the obligation to issue shares of Natomas Common Stock upon conversion of the Natomas Preferred Stock and pursuant to the Natomas Dividend Reinvestment and Stock Purchase Plan and the Natomas Service Awards Program, there are no options, warrants or other rights, agreements or commitments obligating Natomas to issue shares of its capital stock.

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Section 4.3 *Subsidiaries*. Each subsidiary material to the business of Natomas is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has corporate power to carry on its business as it is now being conducted. Each of such subsidiaries is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of its properties owned or leased or the nature of its activities makes such qualification necessary, except where the failure to be so qualified will not have a material adverse effect on Natomas and its subsidiaries taken as a whole. All the outstanding shares of capital stock of such subsidiaries are validly issued, fully paid and nonassessable and those owned by Natomas or by a subsidiary of Natomas are owned free and clear of all liens, claims or encumbrances, except for liens, claims or encumbrances which in the aggregate are not material to Natomas and its subsidiaries taken as a whole. There are no existing options, calls or commitments of any character relating to the issued or unissued capital stock or other securities of any significant subsidiary of Natomas or any group of subsidiaries which together would constitute a significant subsidiary of Natomas (except Natomas' obligation to effect the Distribution pursuant to Section 6.10 hereof). Natomas does not directly or indirectly own any material interest in any other corporation, partnership, joint venture or other business association or entity except for arrangements entered into in the ordinary course of business or as set forth in the Natomas Annual Report on Form 10-K for the fiscal year ended December 31, 1982 or as otherwise publicly disclosed.

Section 4.4 *Authority Relative to this Agreement and N Sub Merger Agreement*. Natomas has the requisite corporate power and authority to enter into this Agreement and the N Sub Merger Agreement and to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and the N Sub Merger Agreement and the consummation of the transactions contemplated hereby and thereby have been duly authorized by Natomas' Board of Directors and, except for the approval of its shareholders pursuant to Section 2.1, no other corporate proceedings on the part of Natomas are necessary to authorize this Agreement and the N Sub Merger Agreement and the transactions contemplated hereby and thereby. Natomas is not subject to or obligated under any contract provision or any license, franchise or permit, or any order or decree, which would be breached or violated or in respect of which a right of acceleration would be created by its executing and carrying out this Agreement or the N Sub Merger Agreement, other than any such breach, violation or right which (i) will not have a material adverse effect on Natomas and its subsidiaries taken as a whole or (ii) will be cured, waived or terminated prior to the Filing Date. Natomas has previously furnished, or will promptly furnish after the date hereof, Diamond with a true and complete copy of its articles of incorporation and its by-laws, as in effect on the date hereof.

Other than in connection with or in compliance with the provisions of the California corporation law, the Securities Act, the Exchange Act, the Hart-Scott-Rodino Act, the securities or blue sky laws of the various states, the Canadian Foreign Investment Review Act and the statutes and regulations administered by the United States Maritime Administration, no authorization, consent or approval of, or filing with, any public body or authority is necessary for the consummation by Natomas of the transactions contemplated by this Agreement and the N Sub Merger Agreement, except for such authorizations, consents, approvals or filings, the failure to obtain or make which would not have a material adverse effect on the financial condition, properties or business of Natomas and its subsidiaries taken as a whole.

Section 4.5 *Financial Statements and Reports*. Natomas has previously furnished, or will promptly furnish after the date hereof, Diamond with a true and complete copy of (i) the consolidated balance sheets of Natomas and its subsidiaries as of December 31, 1982 and 1981, and the consolidated statements of income, changes in shareholders' equity and changes in financial position of Natomas and its subsidiaries for each of the three years ended December 31, 1982, together with the reports of Natomas' independent accountants thereon and (ii) the unaudited consolidated balance sheet of Natomas and its subsidiaries as of March 31, 1983 and the unaudited consolidated statements of income and changes in financial position of Natomas and its subsidiaries for the

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three months ended March 31, 1983 and 1982 included in Form 10-Q (collectively, the "Natomas Financial Statements"). Each of the consolidated balance sheets included in the Natomas Financial Statements (including any related notes) fairly presents the consolidated financial position of Natomas and its subsidiaries as of its date and the other statements included therein (including any related notes) fairly present the consolidated results of operations and changes in shareholders' equity and changes in financial position, as the case may be, of Natomas and its subsidiaries for the periods therein set forth (subject, in the case of unaudited statements, to normal year-end audit adjustments), in each case in accordance with generally accepted accounting principles consistently applied during the periods involved (except as otherwise stated therein). Natomas has also previously furnished, or will promptly furnish after the date hereof, to Diamond a true and complete copy of each prospectus, definitive proxy statement and report filed by Natomas with the Commission since January 1, 1982. None of such prospectuses, proxy statements or reports contained as of its date any untrue statement of a material fact or any omission to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

Section 4.6 *Absence of Certain Changes or Events.* Since March 31, 1983 there has not been any material adverse change in the reserves of oil and gas, business, financial condition, results of operations or prospects of Natomas and its subsidiaries taken as a whole.

ARTICLE FIVE

Conduct of Businesses Pending the Mergers

Section 5.1 *Conduct of Businesses by Diamond and Natomas Pending the Mergers.* Prior to the Filing Date or the date, if any, on which this Agreement is earlier terminated pursuant to Section 8.1 hereof:

(a) Diamond and Natomas shall, and shall cause their respective subsidiaries to, conduct their businesses only in the ordinary and usual course;

(b) without the prior consent of the other, neither Diamond nor Natomas shall (i) sell, pledge or otherwise transfer or dispose of or. agree to sell, pledge or otherwise transfer or dispose of any stock in any of its subsidiaries or any material amount of assets, in either case outside the ordinary and usual course of business, except, in the case of Diamond, for sales and other dispositions consistent with plans or programs which have been publicly disclosed prior to the date hereof, and, in the case of Natomas, except as contemplated by Section 6.10 hereof or (ii) split, combine or reclassify any class or series of its outstanding capital stock or declare, set aside or pay any dividend payable in cash, stock or property with respect to its capital stock, except that Diamond may declare and pay regular quarterly cash dividends of not more than $.44 and $.085 per share on Diamond Common Stock and Diamond Preferred Stock, respectively, and Natomas may declare and pay regular quarterly cash dividends of not more than $.20 and $1.00 per share on Natomas Common Stock and Natomas Preferred Stock, respectively, and Natomas may effect the Distribution;

(c) without the prior consent of the other, neither Diamond nor Natomas, nor any of their respective subsidiaries, shall (i) issue or agree to issue any additional shares of, or rights of any kind to acquire any shares of, its capital stock of any class other than shares of Diamond Common Stock or Natomas Common Stock issuable pursuant to employee stock options or other benefit plans (including, without limitation, the Natomas Dividend Reinvestment and Stock Purchase Plan) in effect on the date hereof or upon the conversion of presently outstanding shares of Diamond Preferred Stock or Natomas Preferred Stock or (ii) enter into any contract, agreement, commitment or arrangements with respect to any of the foregoing;

(d) without the prior consent of Diamond, neither Natomas nor any of its subsidiaries other than the Spin-Off Subsidiaries (as hereinafter defined) shall grant any severance or ter-

mination pay to, or enter into any employment agreement with, any of its respective executive officers or directors, and neither Natomas nor any of its subsidiaries other than the Spin-Off Subsidiaries shall increase in any material respect benefits payable under its current severance or termination pay policies (otherwise than pursuant to (i) policies of such company adopted prior to and in effect on the date hereof and (ii) actions generally approved or authorized by the Board of Directors or the Compensation Committee of the Board of Directors of Natomas on the date hereof and heretofore disclosed to Diamond); and

(e) without the prior consent of Diamond, neither Natomas nor any of its subsidiaries other than the Spin-Off Subsidiaries shall adopt, or amend to increase materially compensation or benefits payable under any collective bargaining, bonus, profit sharing, compensation, stock option, pension, retirement, deferred compensation, employment or other plan, agreement, trust, fund or arrangement for the benefit of employees (otherwise than pursuant to (i) policies of such company adopted prior to and in effect on the date hereof, (ii) actions generally approved or authorized by the Board of Directors or the Compensation Committee of the Board of Directors of Natomas on the date hereof and heretofore disclosed to Diamond) and (iii) payment of a one-time cash award to certain employees of Natomas and its subsidiaries in an aggregate amount not to exceed $250,000.

ARTICLE SIX

Additional Agreements

Section 6.1 *Access and Information.* Diamond and Natomas shall each afford to the other and to the other's accountants, counsel and other representatives full access during normal business hours throughout the period prior to the Filing Date to all of its properties, books, contracts, commitments and records (including but not limited to tax returns), it being understood that Natomas is subject to certain restrictions under agreements with certain governments, governmental entities and joint venturers from divulging certain information relating to certain operations (which restrictions Natomas will use its best efforts to cause to be removed) and, during such period, each shall furnish promptly to the other (i) a copy of each report, schedule and other document filed or received by it pursuant to the requirements of federal or state securities laws and (ii) all other information concerning its business, properties and personnel as such other party may reasonably request, provided that no investigation pursuant to this Section 6.1 shall affect any representations or warranties or the conditions to the obligations of the parties to consummate the Mergers. In the event of the termination of this Agreement, each party will, and will cause its representatives to, deliver to the other all documents, work papers and other material, and all copies thereof, obtained by such party or on its behalf from the other party as a result of this Agreement or in connection herewith, whether so obtained before or after the execution hereof. Each party shall hold in confidence all confidential information until such time as such information is otherwise publicly available or to such extent as has been or may be separately agreed to in writing by the parties.

Section 6.2 *Registration Statement; Proxy Statements.* Diamond and Natomas shall together, or pursuant to an allocation of responsibility to be agreed between them, (i) prepare and file with the Commission as soon as is reasonably practicable a preliminary joint proxy statement and a Registration Statement of New Parent with respect to the transactions contemplated by this Agreement (including the Distribution) and the Merger Agreements, and use all reasonable efforts to have such joint proxy statement cleared by the Commission under the Exchange Act and such Registration Statement declared effective by the Commission under the Securities Act, (ii) take all such action as may be required under state blue sky or securities laws in connection with the transactions contemplated by this Agreement and the Merger Agreements and (iii) promptly make application to the New York and Pacific Stock Exchanges for the listing of the New Parent Common Stock, New Parent $2.07 Preferred Stock and New Parent $4.00 Preferred Stock and use all reasonable efforts to list such stock on such Exchanges. Diamond and Natomas shall each furnish to one another and one another's counsel all such information as may be required in order for the effectua-

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tion of the foregoing actions and each represents and warrants to the other that no information furnished by it in connection with such actions or otherwise in connection with the consummation of the transactions contemplated by this Agreement and the Merger Agreements will contain any untrue statement of a material fact or omit to state a material fact required to be stated in order to make any information so furnished, in the circumstances under which it is so furnished, not misleading.

Section 6.3 *Affiliate Agreements.* Each of Diamond and Natomas (each of which is referred to in this Section 6.3 as a "Subject Company") shall, prior to the Filing Date, cause to be delivered to the other a list, reviewed by its General Counsel, identifying all persons who were, in its opinion, at the time of the special meeting of the Subject Company's shareholders to be held in accordance with Article Two hereof, "affiliates" of the Subject Company for purposes of Rule 145 promulgated by the Commission under the Securities Act. Each Subject Company shall furnish such information and documents as the other may reasonably request for the purpose of reviewing such list. Each Subject Company shall cause each person who is identified as an "affiliate" in the list furnished pursuant to this Section 6.3 to execute a written agreement on or prior to the Filing Date, in a form satisfactory to the other, that such person will not offer or sell or otherwise dispose of any of the shares of New Parent Common Stock, New Parent $2.07 Preferred Stock or New Parent $4.00 Preferred Stock issued to such person in or pursuant to the Mergers in violation of the Securities Act or the rules and regulations promulgated by the Commission thereunder.

Section 6.4 *Employee Stock Options; Other Stock Plans; Reservation for Issuance.* (a) At or immediately prior to the Filing Time (and subject to the effectiveness of the Mergers), each holder of a then outstanding option to purchase shares of Natomas Common Stock (whether or not then presently exercisable) granted under an employee stock option plan of Natomas will be entitled to receive in settlement thereof payment from Natomas in an amount equal to the difference between the estimated value, as determined by the Board of Directors of Natomas on May 30, 1983, of the shares of Diamond Common Stock and the shares of the Spin-Off Subsidiaries to be received in the N Sub Merger and the Distribution by a holder of one share of Natomas Common Stock (but not to exceed the sum of (i) $24.9375 [i.e., $23.75, the closing price of the Diamond Common Stock on May 27, 1983 multiplied by 1.05] and (ii) the book value of the shares of the Spin-Off Subsidiaries receivable pursuant to the Distribution by a holder of one share of Natomas Common Stock, as of the date of the last regularly prepared balance sheets of the Spin-Off Subsidiaries) and the per share exercise price of such option, multiplied by the number of shares of Natomas Common Stock covered by such option.

(b) The parties hereto shall each take such action as may be necessary to (i) enable each holder of an option or other right to acquire shares of Diamond Common Stock or (except as provided in Section 6.4(a)) Natomas Common Stock under any of the employee incentive compensation or benefit plans and programs of Diamond or Natomas outstanding at the Filing Time to become entitled, on and after the Filing Time, to exercise such option or other right, subject to the terms and provisions thereof, as to that number of shares of New Parent Common Stock which such holder would have been entitled to receive had such holder exercised such option or other right and thereby received shares of Diamond Common Stock or Natomas Common Stock (as the case may be) immediately prior to the consummation of the Mergers, (ii) amend all employee incentive compensation and benefit plans and programs relating in part or whole to the acquisition or award of shares of either Diamond Common Stock or Natomas Common Stock so as to provide for the acquisition of shares of New Parent Common Stock in lieu of such shares and (iii) amend those provisions of the employee incentive compensation and benefit plans and programs referred to in (i) and (ii) above which vest administrative functions in non-participating directors of Diamond or Natomas, as the case may be, so as to vest such functions in directors of New Parent who are not participants in any such plans and arrangements. New Parent shall reserve for issuance the number of shares of New Parent Common Stock which become subject to the plans and programs referred to in the preceding sentence, or to rights existing thereunder at the Filing Time, pursuant to the amendments referred to in such

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sentence and to issue or cause to be issued the appropriate number of shares of New Parent Common Stock pursuant to valid exercises of rights existing under such plans or programs at the Filing Time or thereafter granted or awarded. The actions to be taken by Diamond and Natomas pursuant to this Section 6.4(b) shall include submission of amendments to the plans referred to herein to their respective shareholders at the special meetings to consider this Agreement and the Merger Agreements referred to in Section 2.1 hereof, if such submission is determined necessary or advisable by counsel to Diamond and Natomas in consultation with one another; *provided, however,* that such approval shall not be a condition to the consummation of the Mergers.

(c) From and after the Filing Time, New Parent shall reserve for issuance to holders of shares of New Parent $2.07 Preferred Stock (if the Diamond Preferred Approval is obtained) or of Diamond Preferred Stock (if such approval is not obtained) and to holders of New Parent $4.00 Preferred Stock (if the Natomas Preferred Approval is obtained) an aggregate number of shares of New Parent Common Stock as shall be necessary to be issued upon conversions of such preferred stock and, if the Diamond Preferred Approval is not obtained, to issue and sell to Diamond, at a price equal to fair market value, such number of shares of New Parent Common Stock to which the holders of Shares of Diamond Preferred Stock are entitled pursuant to the conversion thereof as Diamond may request. In addition, from and after the Filing Time, New Parent shall from time to time reserve for issuance a number of shares of New Parent Common Stock with respect to which there existed, prior to the Filing Time, any other right to purchase or otherwise acquire (including, without limitation, by conversion of convertible securities) from either Diamond or Natomas shares of Diamond Common Stock or Natomas Common Stock (as the case may be), which right was converted at the Filing Time into a right to purchase or otherwise acquire shares of New Parent Common Stock in or pursuant to the Mergers and shall, from time to time, issue and sell to Diamond or Natomas, as the case may be, at a price equal to fair market value, the appropriate number of shares of New Parent Common Stock as and when so requested by Diamond or Natomas.

Section 6.5 *Employee Benefits.* Diamond and Natomas agree that, following the Filing Time, officers and employees of Natomas will be provided with employee benefits which in the aggregate are not less favorable than those currently provided by Natomas and where practicable and appropriate the existing Natomas benefit plans, programs and arrangements will be continued. Diamond and Natomas agree that, following the Filing Time, the employment agreements and severance plans and arrangements of Natomas which are in effect on the date hereof or are permitted by Sections 5.1(d) and 5.1(e) hereof shall be honored in all respects.

Section 6.6 *Expenses.* Whether or not the Mergers are consummated, all costs and expenses incurred in connection with this Agreement, the Merger Agreements and the transactions contemplated hereby and thereby shall be paid by the party incurring such expenses.

Section 6.7 *Additional Agreements.* Subject to the terms and conditions herein provided, each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement and the Merger Agreements, including using its best efforts to obtain all necessary waivers, consents and approvals and to effect all necessary registrations and filings (including, but not limited to, filings under the Hart-Scott-Rodino Act). In case at any time after the Filing Time any further action is necessary or desirable to carry out the purposes of this Agreement or either or both of the Merger Agreements, the proper officers and/or directors of New Parent, Diamond and Natomas shall take all such necessary action. The parties hereby acknowledge that it is their intent that the Mergers and the Distribution constitute tax-free transactions to the shareholders of Natomas and shall use their reasonable best efforts to achieve such result. Nothing herein shall preclude, and no representation, warranty, covenant or agreement of Diamond shall be deemed to have been breached or be untrue at the Filing Date by reason of Diamond or a wholly-owned subsidiary thereof purchasing shares of Diamond Common Stock prior to the Filing Date for an aggregate purchase price not exceeding $300,000,000.

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Section 6.8 *No Solicitation.* Unless and until this Agreement shall have been terminated by either party pursuant to Section 8.1, Natomas shall not (i) solicit any offer to acquire the business and properties or capital stock of Natomas, whether by merger, purchase of assets, tender offer or other similar transaction or (ii) except as required by law, disclose directly or indirectly any information not customarily disclosed to the public concerning the business and properties of Natomas or afford to any other person access to the properties, books or records of Natomas or otherwise assist any person preparing to make or who has made such an offer.

Section 6.9 *Preservation of Business Organization.* Diamond and Natomas shall use their reasonable efforts to preserve intact their respective business organizations and good will, keep available the services of their respective officers and employees and maintain satisfactory relationships with the businesses, suppliers, customers, distributors and others having business relationships with them.

Section 6.10 *Spin-Off.* Natomas shall take such action as is necessary so that there shall be distributed (the "Distribution") to those persons who are holders of record of Natomas Common Stock immediately prior to the consummation of the Mergers all of the then issued and outstanding capital stock of (i) Natomas Transportation Company (the only material business and assets of which are the capital stock of American President Lines, Ltd. ("APL") and assets related to the business of APL) and (ii) Natomas Real Estate Company (collectively, the "Spin-Off Subsidiaries"). From the date hereof through such Distribution, Natomas will not, and will not permit any of its subsidiaries to, enter into any transactions with either of the Spin-Off Subsidiaries (or any subsidiary of either) except in the ordinary course of business. Natomas shall make such arrangements as are necessary (and as are satisfactory to Diamond) so that concurrently with the Distribution all intercompany transactions involving either of the Spin-Off Subsidiaries (or any subsidiary of either) and Natomas or any of its other subsidiaries shall have been terminated and all intercompany indebtedness satisfied.

Section 6.11 *Diamond Tender Offer.* Diamond shall promptly after the execution hereof cause the termination of the offer by DSC Acquisition, Inc. to purchase up to 30,400,000 outstanding shares of Natomas Common Stock at $23 per share.

ARTICLE SEVEN

Conditions

Section 7.1 *Conditions to Obligation of Diamond to Effect the D Sub Merger.* The obligation of Diamond to effect the D Sub Merger shall be subject to the simultaneous effectuation by Natomas of the N Sub Merger and to the fulfillment at or prior to the Filing Date of the following additional conditions:

(a) Natomas shall have performed in all material respects its agreements contained in this Agreement required to be performed on or prior to the Filing Date;

(b) the representations and warranties of Natomas set forth in this Agreement shall be true and correct in all material respects on and as of the Filing Date as if made on and as of such date, except as contemplated or permitted by this Agreement;

(c) this Agreement and the D Sub Merger Agreement shall have been adopted by the requisite vote of the holders of Diamond Common Stock and Diamond Preferred Stock, voting together as a single class, and this Agreement and the N Sub Merger Agreement shall have been approved by the requisite vote of the holders of Natomas Common Stock;

(d) the New York Stock Exchange shall have approved for listing, upon official notice of issuance, the New Parent Common Stock issuable in and pursuant to the Mergers; and

(e) the waiting period applicable to the consummation of the Mergers under the Hart-Scott-Rodino Act shall have expired.

Section 7.2 *Conditions to Obligation of Natomas to Effect the N Sub Merger*. The obligation of Natomas to effect the N Sub Merger shall be subject to the simultaneous effectuation by Diamond of the D Sub Merger and to the fulfillment at or prior to the Filing Date of the following additional conditions:

(a) Diamond shall have performed in all material respects its agreements contained in this Agreement required to be performed on or prior to the Filing Date;

(b) the representations and warranties of Diamond set forth in this Agreement shall be true and correct in all material respects on and as of the Filing Date as if made on and as of such date, except as contemplated or permitted by this Agreement;

(c) this Agreement and the D Sub Merger Agreement shall have been adopted by the requisite vote of the holders of Diamond Common Stock and Diamond Preferred Stock, voting together as a single class, and this Agreement and the N Sub Merger Agreement shall have been approved by the requisite vote of the holders of Natomas Common Stock;

(d) the New York Stock Exchange shall have approved for listing, upon official notice of issuance, the New Parent Common Stock issuable in and pursuant to the Mergers; and

(e) the waiting period applicable to the consummation of the Mergers under the Hart-Scott-Rodino Act shall have expired.

ARTICLE EIGHT

TERMINATION, AMENDMENT AND WAIVER

Section 8.1 *Termination*. This Agreement may be terminated at any time prior to the Filing Date, whether before or after approval by the shareholders of Diamond and/or Natomas:

(a) by mutual consent of the Boards of Directors of Diamond and Natomas; or

(b) by either Diamond or Natomas after May 30, 1984, if the Mergers shall not have been consummated on or prior to that date.

Section 8.2 *Effect of Termination*. In the event of termination of this Agreement as provided above, this Agreement shall forthwith become void and there shall be no liability on the part of either Diamond or Natomas (except as set forth in Sections 6.1 and 6.6 hereof).

Section 8.3 *Amendment*. This Agreement may be amended by the parties hereto by action taken by or on behalf of their respective Boards of Directors or the Executive Committees thereof at any time before or after adoption or approval hereof by the shareholders of Diamond and/or Natomas but, after any such adoption or approval, no amendment shall be made which in any way adversely affects the rights of holders of Diamond Common Stock, Diamond Preferred Stock, Natomas Common Stock or Natomas Preferred Stock without the further approval of the shareholders so affected. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 8.4 *Waiver*. At any time on or prior to the Filing Date, the parties hereto, by action taken by their respective Boards of Directors or the Executive Committees thereof, may (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (iii) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid if set forth in an instrument in writing signed on behalf of such party.

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ARTICLE NINE

General Provisions

Section 9.1 *Non-Survival of Representations, Warranties and Agreements.* All representations, warranties and agreements in this Agreement of Diamond and Natomas or in any instrument delivered by Diamond or Natomas pursuant to this Agreement shall not survive the Merger, except for the agreements contained in Sections 6.4(b) and (c), 6.5, 6.6 and 6.10 and in the agreements of affiliates delivered pursuant to Section 6.3 of this Agreement.

Section 9.2 *Brokers.* Natomas represents and warrants that, except for Salomon Brothers, Inc. and Lazard Freres & Co. and Diamond represents and warrants that, except for Kidder, Peabody & Co. Incorporated, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the N Sub Merger or the D Sub Merger, respectively.

Section 9.3 *Notices.* All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or mailed by a party hereto by registered or certified mail (return receipt requested) to the other party at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Diamond:

Diamond Shamrock Corporation
717 North Harwood Street
Dallas, Texas 75201

Attn: James F. Kelley
Vice President and General Counsel

(b) if to Natomas:

Natomas Company
601 California Street
San Francisco, California 94108

Attn: Joseph D. Mandel
Vice President, General Counsel and Secretary

Section 9.4 *Closing.* The closing of the transactions contemplated by this Agreement and the Merger Agreements shall take place at the headquarters office of Diamond in Dallas, Texas at 12:00 noon, local time, on the Filing Date or at such other time and place as Diamond and Natomas shall agree.

Section 9.5 *Interpretation.* When a reference is made in this Agreement to subsidiaries of Diamond or Natomas, the word "subsidiaries" means any corporation more than 50% of whose outstanding voting securities are directly or indirectly owned by Diamond or Natomas, as the case may be. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 9.6 *Miscellaneous.* This Agreement (including the documents and instruments referred to herein and to be entered into in accordance herewith) (i) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, (ii) is not intended to confer upon any other person any rights or remedies hereunder, (iii) shall not be assigned by operation of law or otherwise and (iv) shall be governed in all respects, including validity, interpretation and effect, by the laws of the State of Delaware. This Agreement may be executed in two or more counterparts which together shall constitute a single agreement.

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IN WITNESS WHEREOF, Diamond and Natomas have caused this Agreement to be signed as of the date first written above by their respective officers thereunto duly authorized.

DIAMOND SHAMROCK CORPORATION

By /s/ W. H. BRICKER

NATOMAS COMPANY

By /s/ D. L. COMMONS

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